PLUS: THE RESPONSE TO PAUL HAWKEN'S 'THE ECOLOGY OF COMMERCE'

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THE MAGAZINE FOR GROWING COMPANIES

THE 75 BEST RESOURCES FOR STARTING A COMPANY

INC.'S NEW-BUSINESS SURVIVAL GUIDE

The Best Small-Business Banks in America

THE MINI-M.B.A.: The Basics of *Pricing*

GOOD FORM: How to Control T&E Expenses

46 IDEAS YOU CAN USE

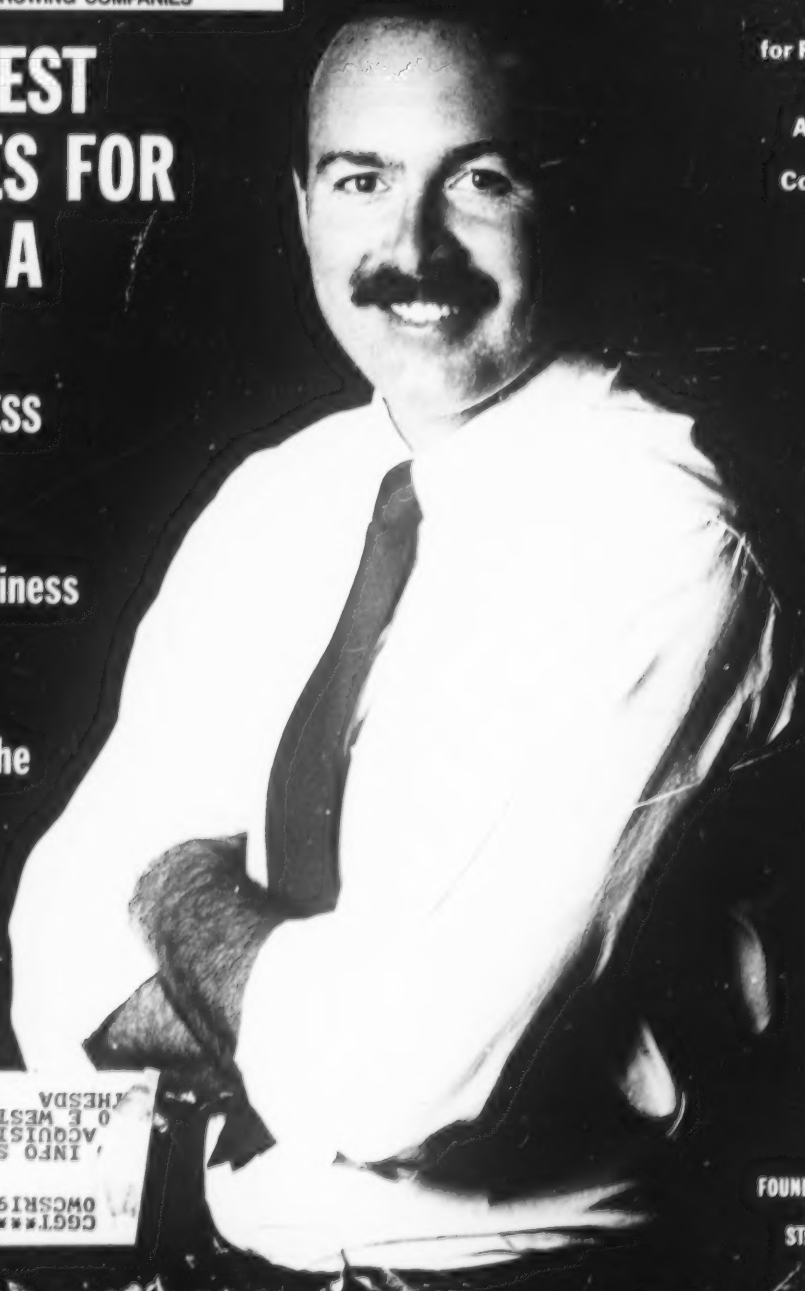
Sales Commissions That Motivate

How to Beat Workers' Comp Fraud

Cutting Deals with Landlords

Benefits for Part-Time Workers

A Guide to Leasing Computers



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FOUNDER CHIP PERFECT: TAPPING THE BEST START-UP RESOURCES

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WHAT KEEPS YOU UP AT NIGHT?

The results are in from Ernst & Young's annual survey of past recipients of Entrepreneur of the Year Awards, who were asked to rate the importance of 35 "core business issues" on a scale of one (unimportant) to 10 (extremely important). As it turns out, their top 10 concerns, listed below, aren't much different from those of most other entrepreneurs, with the possible exception of number one. (The survey was sent to about 1,100 companies, of which 259 responded. The rankings are based on the percentage of respondents giving the issue a rating of 8, 9, or 10.)

1. **Retaining key personnel (73%)**
2. **Enhancing customer service (71%)**
3. **Improving quality (71%)**
4. **Gaining greater market penetration (70%)**
5. **Controlling health-care costs (63%)**
6. **Getting useful, timely financial information (56%)**
7. **Managing cash flow (56%)**
8. **Growing without loss of control (53%)**
9. **Building personal wealth (52%)**
10. **Recruiting key personnel (51%)**

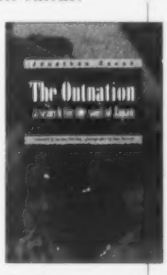
As for the least pressing concerns, let's just say no one will ever confuse this group of EOY alumni with the Sierra Club. Environmental issues ranked near the bottom of the list (number 27), right down there with international expansion (number 24), succession planning (number 25), downsizing (number 33), and inflation (number 35).

A GOOD WORD ABOUT PROFIT

Far be it from me to quibble with anyone who wants to invest half a billion dollars in a philanthropic venture, particularly one geared toward supporting entrepreneurs and providing entrepreneurial training for children from kindergarten through grade 12. That's precisely what Ewing M. Kauffman plans to do with his new Center for Entrepreneurial Leadership, and more power to him. He certainly knows entrepreneurship, having founded and built Marion Laboratories, the Kansas City–based pharmaceutical company that merged with Merrell Dow Pharmaceuticals in 1990.

So I am perplexed about why Kauffman's center seems so reluctant to support for-profits that have the same worthy mission—as if profit might taint their efforts. That notion persists in some quarters, despite the growing number of socially committed entrepreneurs starting businesses not because they want to get rich but because they seek the discipline and credibility that come from operating profitably in a competitive market. Still, you'd think a center for business education would be the last place to find people who regard profit as unsavory. To see the potential social benefits of profit, after all, they need look no further than the source of their funds.

SUMMER READING



The Outnation, by Jonathan Rauch (Harvard Business School Press, 1992). I could go on and on about the virtues of this simple, unpretentious, elegantly written, and beautifully observed book about Japan. Among other things, it explains why mindless criticism of Japan's trade deficit with the United States could produce a result *opposite* to the one intended by critics—that is, greater centralization of the Japanese economy and a strengthening of the bureaucracy that is the primary obstacle to increased political and economic competition.

But I was most impressed—and disturbed—by what the book revealed about our own culture: "[T]he United States is blessed with what are probably the most adaptable and responsive social institutions in the world. In particular, America is blessed with a political system that was capable of removing a malfeasant president from office peacefully and a scientific system that still beats the competition hollow. Yet I worry, because America's problems today are moral rather than institutional, and moral problems are the hardest kind to fix. Japan's problems are the other way around. I believe I can tell you ways to make the Japanese political system work better; but if you ask me how to make American teenagers care more about studying and less about showing off their Corvettes, I can only shake my head dumbly."

Twenty-First-Century Management, by Hesh Kestin (Atlantic Monthly Press, 1992). This is a terrific book about an inspiring company, one of the few that offer genuine insights into what business in the 21st century might look like. The book is everything a business book should be: smart, witty, informative, entertaining, thought provoking, and *short*. The publisher achieved this commendable result by matching up a seasoned reporter with a worthy subject, Computer Associates (CA), a giant software company whose success has defied explanation—until now, at any rate.

At the heart of founder Charles Wang's philosophy is what he refers to as "reorg," a process of endless reinvention. In the early days Wang would totally reorganize the company as often as four times a year, and he still does so no less than once a year. "The very idea flies in the face of both received business wisdom and what is thought to be common sense," writes Kestin. "A system that works should be allowed to keep working, no? Yes, and the system that works at CA is reorganization. Its stability is in change." Wang's willful chaos is based on the simple idea that the company's most valuable assets are its people, who should be deployed so as to help CA achieve its goals. Since the world is in a state of constant flux, CA's goals must constantly change as well, and so too must the role of its people. Hence, reorganization.

I suspect the reorg principle will hold particular appeal for *Inc.* readers, for two reasons. First, it can be employed almost anywhere, regardless of scale. At the same time, reorg is based on the same imperative that a new business is: wealth creation, not asset protection. And it is only in creating new wealth, rather than protecting what we have, that we will be able to prosper in the next century. ❑

ILLUSTRATION: MARTY BRAUN

RESULTS FROM APRIL

The Inc. FaxPoll™

ARE HEALTH-CARE COSTS MAKING YOU SICK?

The diagnosis: Our health-care system is in critical condition.

The prognosis: Unless strong measures are taken, it's good-bye, small business.

56%

YES

ARE YOUR CURRENT HEALTH-CARE COSTS THREATENING YOUR BUSINESS?

No

44%

Companies of all sizes are seeing their health-care costs rise significantly. Forty percent of our respondents have experienced increases of more than 50% over the past three years—a trend most find threatening. Small employers in particular feel "at risk of becoming uninsurable, with no alternative at any price."

Is there anything you can do to stem the rise in costs? Increasing your deductible, the most frequently tried strategy, diverts part of the financial burden to the employees and cuts down on "frivolous visits." Requiring employee contributions allows businesses to "provide the same coverage but keep costs down." But both strategies can make it "harder to attract new employees and retain old ones." Switching carriers is another favored tactic: 21% of you have switched twice or more in the past five years. Some of you change companies every time your premiums increase, "which is almost annually." For some, this strategy isn't an option: "We can't change coverage because of health problems. We're trapped." Switching to a preferred-provider organization "ensures reasonable fees at the doctor's office," respondents told us. Reducing coverage can "lower out-of-pocket expenses, with benefits that are still good." But others said that might yield "slightly lower costs but vastly lower care." Cafeteria-style benefits "allow best choice and most effective use of companies' and employees' money," and the employees feel involved in the decision. Other programs that had their advocates include wellness programs and preemployment health screening. ("We hire healthier people," which "prevents problems.") Forty-six percent of those who tried self-insurance found it to be their most effective measure. Still, some of you said nothing seems to work: "We shop prices, change carriers, and lose time and money without reducing the cost of coverage."

HOW MUCH HAVE YOUR HEALTH-INSURANCE COSTS INCREASED OVER THE PAST THREE YEARS?

Not at all	1%
Less than 10%	4%
10% to 50%	52%
51% to 100%	28%
More than 100%	12%
Decreased	2%

WHO IS *MOST* RESPONSIBLE FOR THE INCREASING COST OF HEALTH INSURANCE?

Lawyers	24%
Doctors	20%
Insurance companies	19%
Combination of everyone	13%
Hospital administrators	11%
Federal government	10%
Employees	4%

WHICH OF THE FOLLOWING COST-CONTAINMENT MEASURES HAVE YOU TRIED? WHICH HAS BEEN THE MOST EFFECTIVE?

	Have tried	Most effective *
Increased deductible	67%	20%
Switched carriers	57%	22%
Required employees to pay a portion of the cost	46%	25%
Reduced coverage	43%	12%
Switched to or added HMO/PPO	31%	27%
Instituted second opinion/admission precertification	21%	2%
Became self-insured	14%	46%
Switched to cafeteria-style plan	13%	18%
Joined a larger group plan	11%	32%
Initiated wellness programs	11%	**
Instituted preemployment screening	11%	**
Ceased to provide health insurance	7%	**
Initiated internal claims analysis	3%	**

When pressed for a single cause, readers not-so-reluctantly pointed their fingers at the lawyers: "We are a litigation-crazed society fueled by attorneys." The threat of huge awards in malpractice suits forces doctors to "practice defensive medicine" characterized by "more expensive malpractice insurance, and unnecessary tests." We all wind up paying for those policies and settlements in the end: "Doctors and hospitals pass the costs along. It's a vicious circle."

Some blamed insurance companies, with their "astronomical profits and no cost containment." Others accused hospital administrators of overcharging to "cover the costs of indigent patients."

When we asked who is in the best position to do something about the problem, your answer was unequivocal: it's time for the government to intervene. Many urged a cap on doctors' pay or hospital costs. Others suggested limits on malpractice-suit awards, tort reform, a cap on lawyers' fees to reduce "their motivation to sue," and legislation to control medical-billing fraud. Several called for a national health-care plan, while others vociferously objected to the notion, saying, "The cost of such a program would translate into excessive taxes, and the result would be disastrous." Another said, "We are paying dearly for health care now; surely we can afford a national health plan that is controlled and fair." —*Christopher Caggiano*

THE INC. FAXPOLL IS SPONSORED BY XEROX

Note: Multiple responses account for total percentages above 100%.
* Percentage of those who tried measure who found it to be their most effective measure; ** Less than 2%

DISTRIBUTION

Looking for Reps in All the Right Places

HERE YOU ARE WITH A BREAKTHROUGH PRODUCT IN AN INdustry that hasn't seen any innovation in a decade. The world should be beating a path to your door, right? Well, Lucinda Seigel, president of Dark-to-Light (DTL)—a manufacturer of energy-saving streetlight controls in Pembroke, Mass.—learned that the future of her young company depended on *her* ability to beat a path to the right independent sales reps.

The Manufacturers' Agents National Association (714-859-4040) publishes a useful four-page report titled "Prescreening Prospective Principals and Agents: Some Guidelines" (report 534, $3.50), outlining questions company owners should ask prospective sales reps and those sales reps should ask company owners.

In 1991 DTL made the transition from shipping test samples to selling just under $1 million in products. The company has 60 independent reps from 18 organizations across the country. Seigel's recommendations for finding and evaluating sales reps:

Ask potential customers. Even before it had any sales to speak of, DTL depended on the generosity of would-be customers (utilities) to pass along the names of reps they respected. To get the leads, Seigel attended industry seminars, where she met engineers and marketing people from utilities around the nation.

Target your search. Seigel recruited about half her reps from the ranks of the specialized Electrical Equipment Representatives Association (EERA), in Kansas City, Mo., which she learned about from one of the first sales reps she interviewed. In the EERA she found an exclusive club of 150 or so top rep agencies. The EERA's directory told Seigel which rep groups serviced which territories and product lines.

Interview rep agencies in person. In face-to-face talks, most agencies, each of which might represent a dozen or more companies, are forthcoming about whether they can take new lines to market, Seigel says. She also learned to be wary of reps *too* ready to take on her line, because she knows her product is a tough sell. And she always inquires about a rep company's future. If the founders retire, is there enough experience in the ranks? "You can't go with an agency that hasn't thought out its succession strategy."

Offer attractive incentives. Seigel uses independent reps because that's the standard in her industry. But DTL's healthy margins allow her to put more money into training reps and to pay above-average commissions.

Widen your network. Through the contacts she made at industry conferences, she also found out about a group sponsored by the Environmental Protection Agency, Green Lights, which is charged with getting manufacturers to slash energy used for lighting. DTL joined the group and gained access to 25 utilities that could lend an ear and pass on names. A few of the utilities even became customers. —*S. G.*

RESOURCES

Export Experts Close to Home

IF YOU'RE TRYING TO MAKE sense of international cultural and business mores (see "Will Your Product 'Travel' Overseas?" page 118), far-flung experts aren't the only ones who can help you.

• **State export offices** (check with your state economic-development office) help small businesses analyze overseas prospects. They can guide you to market reports prepared by foreign commercial officers. They also publish export guidelines and hold seminars in shipping and licensing.

Many state export offices organize trade delegations to and from other countries. The Rep-Com show in Mexico City, sponsored by the U.S. Department of Commerce (202-377-4231), provides small companies in a variety of industries with a rare chance to meet one-on-one with Mexican agents and distributors. Rep-Com will be held in December 1992 and June 1993.

• **The Commerce Department's National Trade Data Bank,** available through district offices and in some libraries, reportedly contains more than 90,000 documents (including reports from the CIA and the State Department), featuring country-specific overviews of product markets, economic conditions, and best prospects for exporters. For a rundown of federal export programs, call the Trade Information Center at 800-872-8723.

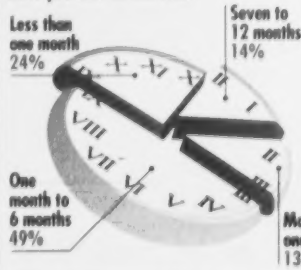
• **Private help**: The AT&T Export Hotline (800-872-9767), a fairly extensive "fax-back" service, is a good place to start to find demographics and industry reports that assess market conditions, competition, and top sales opportunities in a given country. If you're selling a consumer product, call Subsidiary Services International (800-336-4048, fax 401-453-5307), an exporting-consulting firm, for a free brochure on how to qualify overseas distributors. —*S. G.*

BENCHMARK

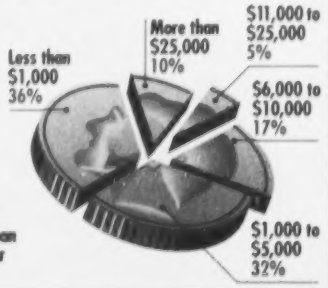
What Do You Spend on Market Research?

Some CEOs take time on market research (see "On-the-Road Research," page 115), but many more spend just a few months gathering information before launching a product. Most CEOs we surveyed spend $5,000 or less on it; they listen to customers and colleagues before consultants.

Time spent on market research before launching most recent new product or service:



Out-of-pocket money spent on the market research:



Source: Survey of 173 CEOs, 57% from companies with sales of $10 million or less, by *Inc.* and The Executive Committee, San Diego, 1992.

CHART: ROSS CULBERT LAVERY & RUSSMAN INC., NEW YORK

OUTPLACEMENT

Guiding Failed Employees

MOST COMPANIES PREFER TO LET BYGONES BE BYGONES WHEN they fire an employee. Ed Steffan, co-owner of EPS Rehabilitation, a rehabilitation and placement service for injured workers in Tinley Park, Ill., has a radically different point of view. "I've always looked at employees as people who are helping me, not as expendable objects," he explains. When things don't work out, he goes to great lengths to help the employee find a new job.

With only 22 employees, Steffan usually knows within the first 90 days if a new hire is going to make it. If several training attempts to correct deficiencies fail, he tells the worker that the job isn't appropriate and tries to help the employee figure out what to do next. A secretary who's unable to master the medical terminology and personal contact required at EPS, for example, could do very well in a job that requires mostly transcription.

With the employee's job goal set, Steffan often gets the worker's résumé updated and printed in-house and alerts his staff to the employee's new job objective. Because EPS has ongoing relationships with its large corporate customers, it can informally poll those organizations for job openings quickly.

Though some employees leave his company with negative feelings, Steffan estimates that he gives concrete help to 80% to 90% of the 5 or 6 employees who leave each year. "I see real value in this," he asserts. If a former employee goes to a competitor, Steffan figures he stands to benefit by having that worker use EPS as the standard to which he holds his new employer. That employee will always be a walking advertisement for the company. What's more, Steffan's ad hoc outplacement effort scores points with the company's customers because it conveys the caring philosophy that EPS uses in serving injured workers. —*E. E. S.*

MOTIVATION

Team-building Techniques

SAY YOU'RE SOLD ON ALL THE current management buzzwords: empowerment, partnership, self-directed teams. You flatten your organization by eliminating middle managers. You create teams with direct customer involvement. And you sit back, waiting for operations to improve at warp speed.

That's when you find out the truth about granting power to employees: a lot of them don't want it. "Some people like to come to work and be told what to do," says Tom Pechacek, general manager of Displaymasters, a designer and builder of trade-show exhibits. Inspired by the restructuring many of his large-company clients were going through and hoping to get closer to those customers, Pechacek put the finishing touches on a new team-oriented organization nearly a year ago.

Although the company, based in Minneapolis, aims to hit $10 million in revenues this year thanks to this change, many of its team members resisted their new roles. The biggest hurdle: getting them to be proactive about problems. Here's a simple exercise that Ann Marie Fasching, leader of Displaymasters' customer-service team, says helped her team members significantly.

First, Fasching had her team members fill out a questionnaire with three questions on it:

1. **Why are we a team?**
2. **What do you expect from your team leader?**
3. **What do you expect from your team members?**

Then the team discussed members' answers. Because all five members held similar jobs, it had made sense to managers to group them as a team, but they hadn't had a say in that decision. Responding to the first question allowed everyone to voice concerns and, essentially, buy into the new orientation.

Responses to the second and third questions enabled Fasching's team to begin establishing new patterns of behavior. For example, team members decided what they should do if they had a complaint about another employee in the company. Under the old framework, the complainer would deposit the problem in his or her boss's lap. In the new system, Fasching's group decided, each person would be responsible for dealing directly with his or her "problem" person. A team leader, such as Fasching, could be called on to mediate but not to rule on the issue.

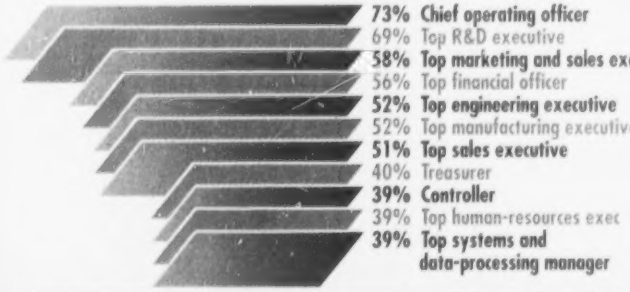
The exercise was one of the most important elements in helping team members realize that they were responsible for solving their own problems. Since completing it, the team has gone on to tackle stiffer challenges—for example, three of Fasching's team members who sometimes feel "trapped" by their jobs (including the person who answers calls from complaining customers) have embarked on a job-sharing schedule in which they rotate jobs every day. —*E. E. S.*

BENCHMARK

Top Exec's Paychecks

The outrageously large compensation packages large corporations award top executives have no corollary among midsize companies, according to a recent Ernst & Young survey. Bonuses offered ranged from 17.2% of base salary, for controllers, to 58.6%, for CEOs. After CEOs, who earned an average of $128,206, chief operating officers earned the most in base pay.

1991 Base Salary as a Percentage of CEO's Base Salary


73% Chief operating officer
69% Top R&D executive
58% Top marketing and sales exec
56% Top financial officer
52% Top engineering executive
52% Top manufacturing executive
51% Top sales executive
40% Treasurer
39% Controller
39% Top human-resources exec
39% Top systems and data-processing manager

Source: Ernst & Young's 1992 Executive Compensation Middle Market Survey of companies with annual sales of less than $50 million, New York City.

CHART: ROSS CULBERT LAVERY & RUSSMAN INC., NEW YORK

BORROWING

Why Banks Like ESOPs

TRANSFERRING THE OWNERSHIP OF PART OF YOUR BUSINESS TO employees under an employee stock ownership plan may not be something you've seriously considered lately. But for many companies, especially those looking to reduce their debt service and operating costs, setting up an ESOP can provide several benefits at once. Although advocates for years have touted ESOPs for the way they can make employees more motivated and productive, less attention has been paid to how ESOPs can lower your cost of capital.

There are several financial benefits to setting up an ESOP. To begin with, assuming the ESOP is buying 50% of the stock, you can deduct not just the interest payments on loans to the ESOP but the *principal* as well. (On ordinary business loans, only interest expenses are deductible.) "If you look at the payments over time, this is by far the biggest benefit," says Lawrence Mack, a vice-president with Ameritrust, a Cleveland bank. "It can really help cash flow."

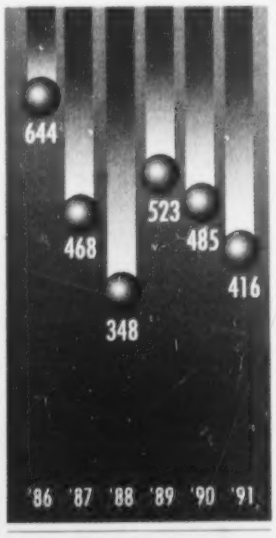
Bankers who have experience with ESOP loans tend to feel positive about them. Over and above the cash-flow advantages, which reduce the risk that a company won't be able to meet its loan payments, there's another attraction: half of the interest a company pays on an ESOP loan is tax deductible to the lender, boosting the potential return on an 8% loan to as high as 12%.

Still, ESOP mavens caution against looking to ESOPs for short-term financial gains. Given all the tax and legal issues, it takes at least several months to set one up. And because of the high legal and accounting costs (we've heard of fees ranging from $10,000 to more than $100,000), ESOPs probably won't make sense for companies with payrolls of less than $500,000. If you're interested in exploring an ESOP, two sources of information are the National Center for Employee Ownership, in Oakland, Calif. (510-272-9461); and the ESOP Association, in Washington, D.C. (202-293-2971). —*B. G. P.*

BENCHMARK

A Slowdown in New ESOPs

The number of employee stock ownership plans, which can provide liquidity for company owners, has more than tripled in the past 15 years. Currently, some 10,000 companies have ESOPs in place, according to the National Center for Employee Ownership. But the growth in new plans has slowed in recent years. According to Corey Rosen, executive director of the NCEO, "A lot of companies don't want to borrow–or can't in the current market." Sellers, he adds, are less keen on selling when business valuations are low.



Source: National Center for Employee Ownership, Oakland, Calif.

CHART: ROSS CULBERT
LAVERY & RUSSMAN INC., NEW YORK

RESOURCE

The Scoop on SBA-Guaranteed Loans

Last year nearly 20,000 companies across the United States managed to get bank loans guaranteed by the Small Business Administration. The guaranteed loans enable less established borrowers to obtain longer-term financing for real estate and equipment, and provide lenders with an exceptional opportunity to earn a good return with minimal risks.

SBA Lending Made Easy (American Bankers Association, 800-338-0626, 1991, $69) is written for bankers who may not be familiar with the SBA's intricate lending criteria, but it's instructive for would-be borrowers as well. Besides providing information on the SBA's restrictions regarding company size and use of proceeds, it teaches you about the underwriting areas where bankers have some leeway. The text is 60 pages long, but the book contains more than 100 pages of appendix material—everything from addresses and phone numbers for SBA field offices, to sample loan applications and guaranty agreements. —*B. G. P.*

CREDIT

How to Monitor Customers' Payments

FINDING NEW CUSTOMERS IS great, but how can you tell if the people clamoring for your products or services are also prepared to pay you? Lots of companies order reports from credit agencies whenever there's any question. But there are other ways to gather credit information that might provide a more telling indication of whether customers will honor their credit obligations. Here are two:

• **Ask your banker to do a bank-to-bank check.** Many companies ask customers for bank references. But if you try calling those references yourself, you may not get much that's useful. "There's a language bankers use for exchanging information," says Deryl K. Schuster, president of Emergent Business Capital's central division, in Wichita, Kans. "And since bankers are reluctant to offer negative information, you really need to know how to read between the lines." Bankers usually don't charge for making bank-reference calls for customers, but they will charge you if they purchase third-party credit reports or order lien searches.

• **Quiz other credit managers.** Another good source of credit information is other credit managers who may have had direct experience with the customer. As a rule, says Charles Bodenstab, owner of Battery and Tire Warehouse, in St. Paul, Minn., "a credit manager will be very candid with another credit manager—even if they're competitors. They know if they withhold something important, they won't be able to get information when *they* need it."

If you want to network more regularly with people in the credit community, consider joining the National Association of Credit Management (410-740-5560). The NACM, with 60 regional chapters around the country, maintains its own credit database. Depending on where you're located, memberships run between $150 and $250 annually. For additional sums, you can join one of the NACM's industry-specific credit groups. —*B. G. P.*

BENEFITS

Giving Part-Time Workers Benefits

HOWARD SCHULTZ, THE CEO OF SEATTLE-BASED Starbucks Coffee, believes his business cannot achieve profitable growth *without* providing competitive benefits. Two years ago he began providing all 1,800 employees, including the part-time workers who make up 50% of his retail sales force, with a benefits package that includes stock options, medical and dental insurance, and even a free pound of coffee each week.

Schultz believes that type of comprehensive benefits coverage is not only feasible but ultimately profitable for growing companies of all sizes. Here's how the CEO of the $50-million company responds to the most common objections:

• **Insurance is too expensive to include part-time workers.** "Including part-timers does increase our insurance fees, but you can't just consider that fact in isolation," Schultz emphasizes. "By providing them with insurance, we've helped bring turnover to below 50% in an industry where it typically runs more than 100% annually. Thanks to lower turnover, we've saved more in training costs than we've spent on insurance."

• **Part-timers are too transient to benefit from stock options.** "That's shortsighted," says Schultz. "If you make a part-time worker feel he's an owner—and structure stock options to reward longevity on the job—your part-time workers will become as committed as your full-time workers are." One way Schultz discourages transience is through a combined reward/vesting system in which workers receive new stock options *each* year but gain ownership rights to those options only at a 20%-per-year rate.

• **Part-time workers don't spend enough hours on the job to get interested in their employer's long-term future.** A management-level committee works at educating part-time and full-time workers about the ways their own performance, as well as the company's, will affect the profitability of stock options and other benefits. For example, all employees receive a five-page color brochure, "Partners . . . in Growth," which defines what Schultz calls "bean stock terms" (the way stock options work), illustrates the potential dollar value of options over a 5-to-30-year period, and answers typical questions such as, Do I have to pay cash when I exercise my options?

• **Spend too much on resources and you won't have the cash flow to support growth.** The growth curve of Starbucks proves otherwise. During the past three years, while the company upgraded benefits and started awarding stock options, revenues have grown at an 80% compounded annual rate. Meanwhile, profit margins have increased during each of the last 10 quarters.

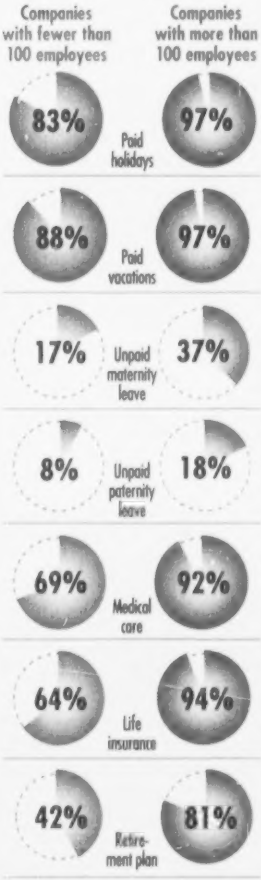
• **It's an administrative nightmare to include part-time workers in a full-scale benefits plan.** "I'm the first to admit that these plans are incredibly tough to design," says Schultz. "That's why I spent the money up front—$60,000 to consultants—to make certain that our plan would fit federal guidelines, maximize tax benefits, and at the same time achieve all our internal goals for motivating and rewarding part-time and full-time workers." —*J. A. F.*

BENCHMARK

Do Small-Company Benefits Measure Up?

Two Bureau of Labor Statistics surveys indicate that small companies are failing to provide competitive benefits, particularly in such important financial areas as retirement savings and medical insurance. That could mean trouble for growing companies whose success will depend on their ability to compete with larger corporations for the best-skilled workers.

Here's how benefits for full-time workers compare:



Source: Bureau of Labor Statistics' "Employee Benefits in Medium and Large Firms," 1989; and "Employee Benefits in Small, Private Establishments," 1990; Washington, D.C.

RESOURCES

Estate-planning Resources

GRANTED, ESTATE PLANNING isn't exactly a subject for the best-seller list. But any business owner who doubts its urgency would do well to curl up one evening with any of these recommended books:

• *Keep Uncle Sam (and Cousin George) from Devouring Your Estate* (Capital Publishing, 800-847-4483, 1992, $19.95), by Stephen M. Rosenberg. Although somewhat lurid in its approach (there's even a dragon on the cover), this 305-page paperback uses breezy prose, case studies, and plenty of graphics to build a strong case for starting estate planning today. This is best suited for people still in the first stages of estate planning, since it's strongest in the basics.

• *The Handbook of Estate Planning* (McGraw-Hill, 800-262-4729, 1991, $39.95), by Robert A. Esperti and Renno L. Peterson, 283 pages, is less fun to read but makes up for it by providing an abundance of in-depth and financially sophisticated planning strategies that make sense in the post-tax-reform U.S. economy. This title is more appropriate for those who are relatively savvy on the subject.

• *Preparing Your Family to Manage Wealth* (Monterey Pacific Institute, 800-247-6553, 1992, $29.95), by Roy O. Williams, 190 pages, is invaluable for the entrepreneur whose focus is not only on minimizing taxes and maximizing inheritance value but on passing a business along to the kids. Sections on how to keep children informed and involved are particularly useful. —*J. A. F.*

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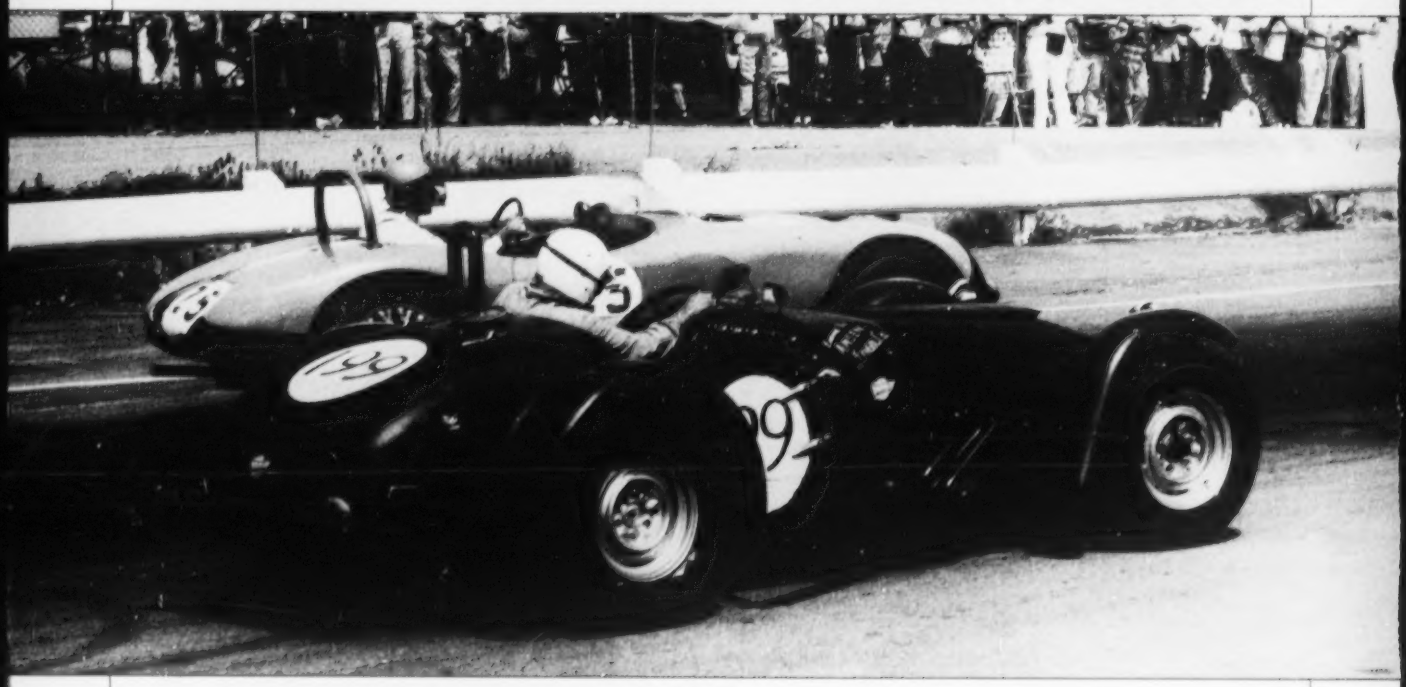
THE AMERICAN DREAM



BUSINESS FOR SALE—TEXAS DRAG STRIP

THE BUSINESS A 32-year-old, 10,000-spectator drag-racing track, set in a midsize Texas city—to which it draws fans and contestants from as far as 300 miles away. Sanctioned by the National Hot Rod Association, the drag way typically operates nine months of the year and derives 78% of its revenues from ticket sales and race fees, the remainder coming from concessions, advertising, and sponsorships. The seller—a former world-record-setting racer whose hands-on management has been integral to the track's success—suffered a heart attack last year and wants to retire.

FINANCIAL SUMMARY

	1990	1991	1992*
Gross revenues	$386,000	$275,000	$310,000
Recast earnings before interest, taxes, depreciation, and owner compensation	$205,000	$95,000	$141,000

*projected

PRICE $500,000

OUTLOOK Drag racing—technically, an acceleration contest between two vehicles, from a standing start over a measured distance—is still increasing in participation and spectatorship and remains primarily a mom-and-pop, all-cash business. A former site of the world finals, this track today is one of 42 in the country to host a divisional Winston Drag Racing Series, which is one level below the national professional tour and brings in about half the facility's annual revenues. And the track hosts amateur, community-minded events such as "Race a Cop" contests, for which it receives extensive local TV, radio, and newspaper coverage. All that could add up to a projected 45% profit—more than double what most healthy tracks expect.

PRICE RATIONALE High risk, high reward; that's how most experts describe the drag-strip business. Fat margins and relatively big multiples appear to be the norm for tracks that succeed. Valuations range widely from site to site, depending on such factors as surrounding population density, the number and caliber of events, and venue amenities, but drag-way vets say 7 to 12.5 times earnings would not be out of line for a facility of this vintage and type. This seller is asking just 3.5.

PROS A phenomenal—if, say insiders, hard to believe—profit margin.

CONS Industry types say the skills of the operator are the keys to every drag strip's fate. The current owner's a pro. Looks like the next one had better be, too. *—Alessandra Bianchi*

***Inc.* has no stake in the sale of the business featured.**
The magazine cannot confirm the accuracy of financial or other information offered by the seller. Inquiries should be directed to Charles Hocker & Associates, 214-458-2727.

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